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TRANSITION TO A SINGLE-CURRENCY SYSTEM

Changes in the definition of major objects of expenditure

Note by the Director-General

Provides information on the new definition of major objects of expenditure, which will first be applied to the programme and budgets, 2002-2003.

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Introduction

1. At the meeting on 2 June 2000 of the inter-sessional working group on proposed amendments to the financial regulations, discussion took place concerning difficulties related to the definition of major objects of expenditure. The Secretariat announced on that occasion that a document would be issued on the subject to the Programme and Budget Committee at its sixteenth session.

2. Financial regulation 3.4 stipulates that UNIDO's regular budget shall be also presented by major objects of expenditure. The definition currently in use for major objects of expenditure originates from a standard defined by the United Nations more than 30 years ago, which no longer meets operational requirements.

3. A typical problem with the current system is the provision of printing funds both under contractual services and other expenditures, depending on whether the printing will take place internally or externally. However, it is almost impossible to predict during the budget preparation the ratio between external and internal printing. Under the present system, during the biennium there is no possibility to adjust to the actual needs, despite the fact that sufficient printing funds are available under various major objects of expenditure.

I. PREVIOUS APPROACH

4. The programme and budgets, 2000-2001 (as well as previous budgets), were presented according to the nine major objects of expenditure below:

(100) Staff costs

(200) Official travel

(300) Contractual services

(400) General operating costs

(500) Supplies and materials

(600) Acquisition of furniture and equipment

(700) EDP non-staff costs

(800) Technical cooperation and IDDA

(900) Other expenditures

5. The grouping has several shortcomings. It features three categories (contractual services, supplies and materials, acquisition of furniture and equipment) that represent less than 0.4 per cent each of the combined gross regular and operational budgets of the Organization for items that can be characterized as operating cost items. Furthermore, the third largest category (900) lumps together various items under the broad title "other expenditures", representing 7.1 per cent of the gross budgets.

II. PROGRAMME AND BUDGETS, 2002-2003

6. In connection with the introduction of the new financial system, which requires the redesign of the charts of accounts and the forthcoming introduction of a single-currency system of budgeting, which also necessitates the revision of objects of expenditure, the Director-General intends to introduce a new grouping of the objects of expenditure for the presentation of the budget proposal for the biennium 2002-2003. According to financial regulation 10.2(a), the Director-General shall establish such accounts and maintain such accounting records as are necessary, giving due consideration to the United Nations accounting standards.

7. Thus, the new major objects of expenditure will be:

(a) Personnel costs;

(b) Travel on official business;

(c) Operating costs;

(d) Information technology and communication;

(e) Technical cooperation and IDDA supplementary activities.

8. The most significant changes in the structure are the following. The previous smallest three categories (contractual services, supplies and materials, acquisition of furniture and equipment) were merged into the operating costs item to eliminate major groups that together represented only one per cent of the budgets. The items under the category "other expenditures" were redistributed into those categories into which they belong by their nature. For instance, contributions to the joint printing service has been grouped with other printing resources under operating costs; contributions to the joint language training has been moved under personnel costs, where all other training provisions have been budgeted for. Furthermore, communications-related costs were grouped with information technology to reflect the technological developments in this area.

9. The attached table shows a tabular comparison between the current and new system by presenting a breakdown of the combined regular and operational budgets approved for the biennium 2000-2001.

III. ACTION REQUIRED OF THE COMMITTEE

10. The Committee may wish to take note of the information presented in the present document, including the redefinition of major objects of expenditure, which will be applied for the first time to the programme and budget proposals for the 2002-2003 biennium.

Approved expenditure and income (regular and operational budgets) by major object of expenditure for 2000-2001

(In thousands of US$1 = ATS 12.90)

Major object of expenditure (current)	2000-2001 approved budget (US$)	% over total	Major object of expenditure (new)	2000-2001 approved budget (US$)	% over total
Expenditure			Expenditure		
100 Staff costs	124,724.2	63.5	1000 Personnel costs	125,402.2	63.8
200 Official travel	2,430.5	1.2	2000 Travel on official business	2,430.5	1.2
300 Contractual services	520.1	0.3	3000 Operating costs	48,084.0	24.5
400 General operating expenses	30,351.9	15.4	4000 Information technology and communication (non-staff costs)	6,773.2	3.4
500 Supplies and materials	785.9	0.4	5000 Technical cooperation and IDDA supplementary activities	13,875.6	7.1
600 Acquisition of furniture and equipment	623.1	0.3			
700 EDP non-staff costs	4,150.7	2.1			
800 Technical cooperation and IDDA	13,875.6	7.1			
900 Other expenditures	19,103.5	9.7			
Total expenditure	196,565.5	100.0	Total expenditure	196,565.5	100.0
Income			Income		
100 Staff costs	9,651.9	27.3	1000 Personnel costs	9,651.9	27.3
200 Official travel	7.1	0.0	2000 Travel on official business	7.1	0.0
300 Contractual services	0.0	0.0	3000 Operating costs	24,152.1	68.2
400 General operating expenses	19,398.8	54.8	4000 Information technology and communication (non-staff costs)	0.0	0.0
500 Supplies and materials	206.5	0.6	5000 Technical cooperation and IDDA supplementary activities	0.0	0.0
600 Acquisition of furniture and equipment	315.2	0.9			
700 EDP non-staff costs	0.0	0.0			
800 Technical cooperation and IDDA	0.0	0.0			
900 Other expenditures	4,231.6	12.0			
Miscellanous income	1,588.5	4.5	Miscellanous income	1,588.5	4.5
Total income	35,399.6	100.0	Total income	35,399.6	100.0
Total net approved	161,165.9		Total net approved	161,165.9	